

Three Year Projections 2018 – 2020

December 5, 2017

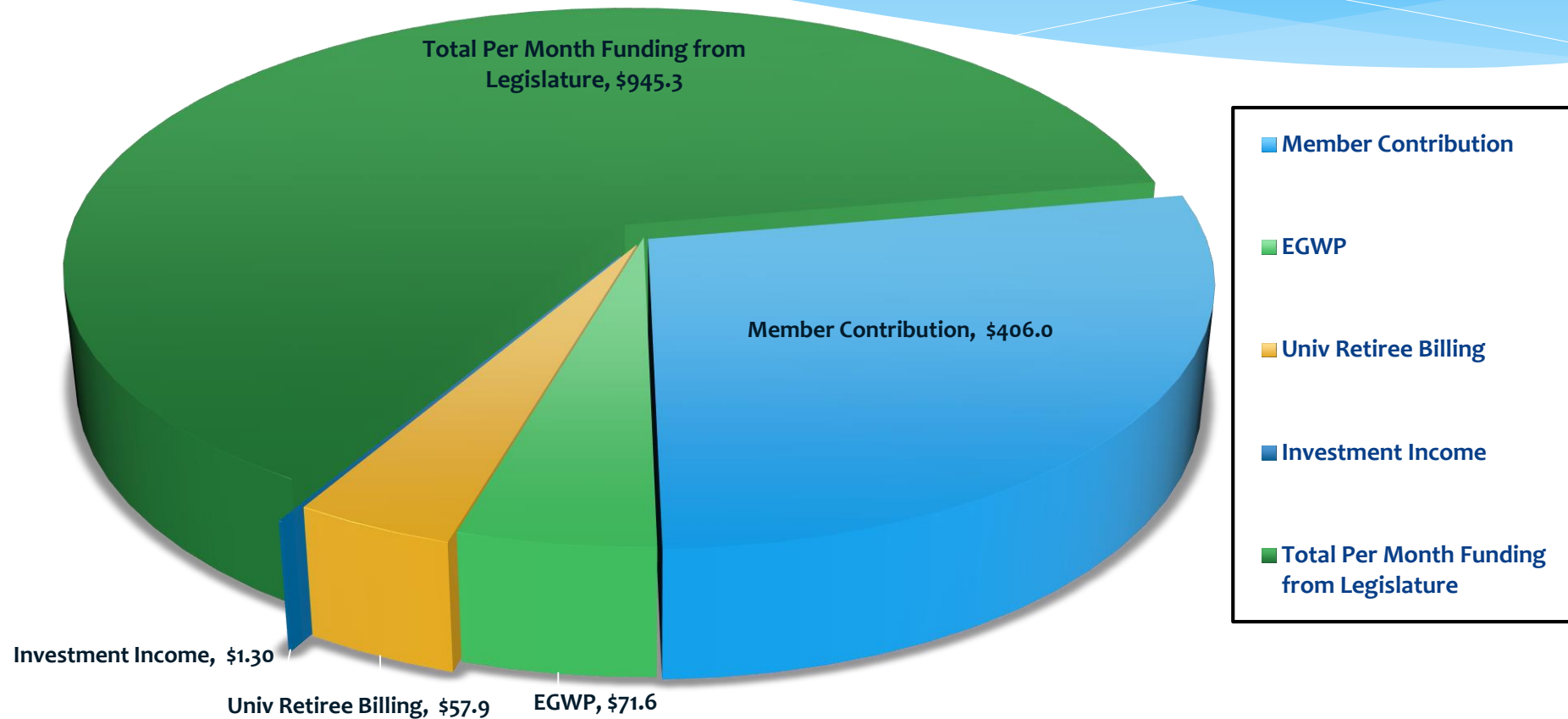
Diane E. Scott, CPA, CGMA

Retirement Systems of Alabama



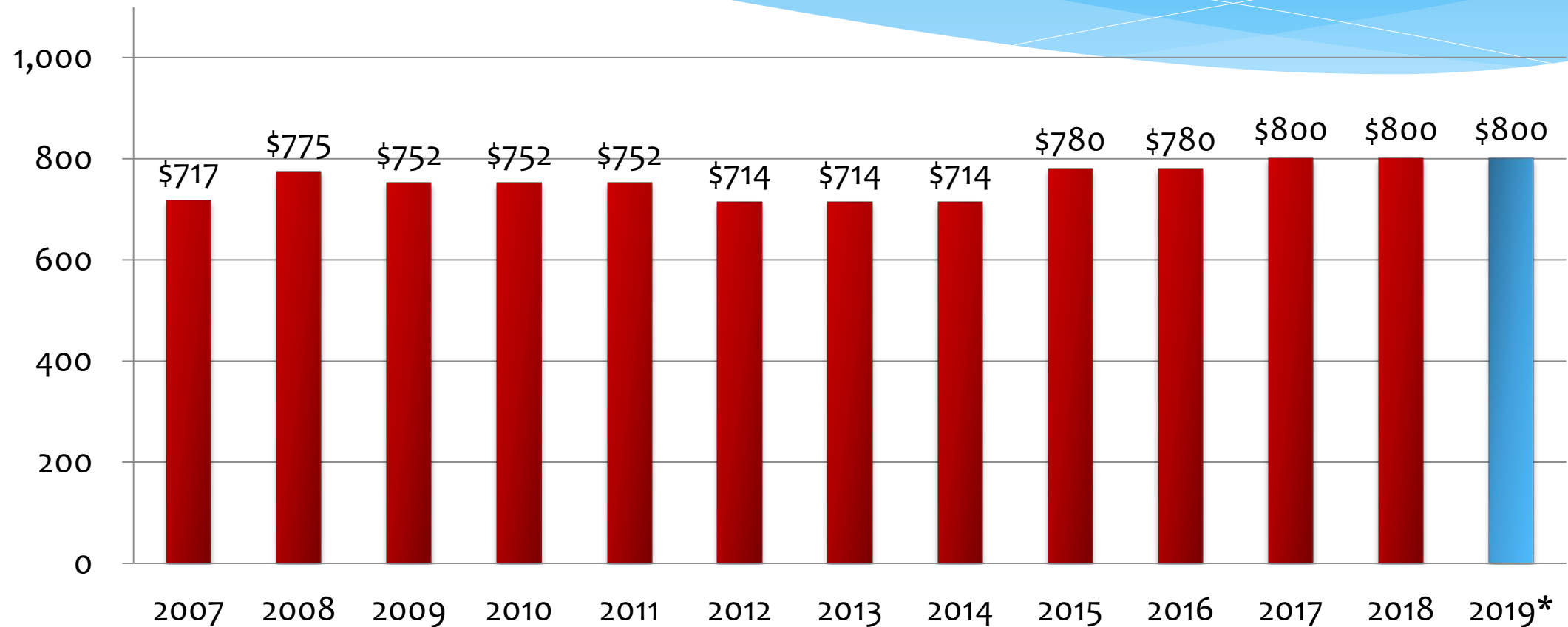
PEEHIP Funding Sources—FY2017

Amounts in Millions



Legislative PEEHIP Funding Rates 2007 - 2019

Rate Per Active Employee Per Month

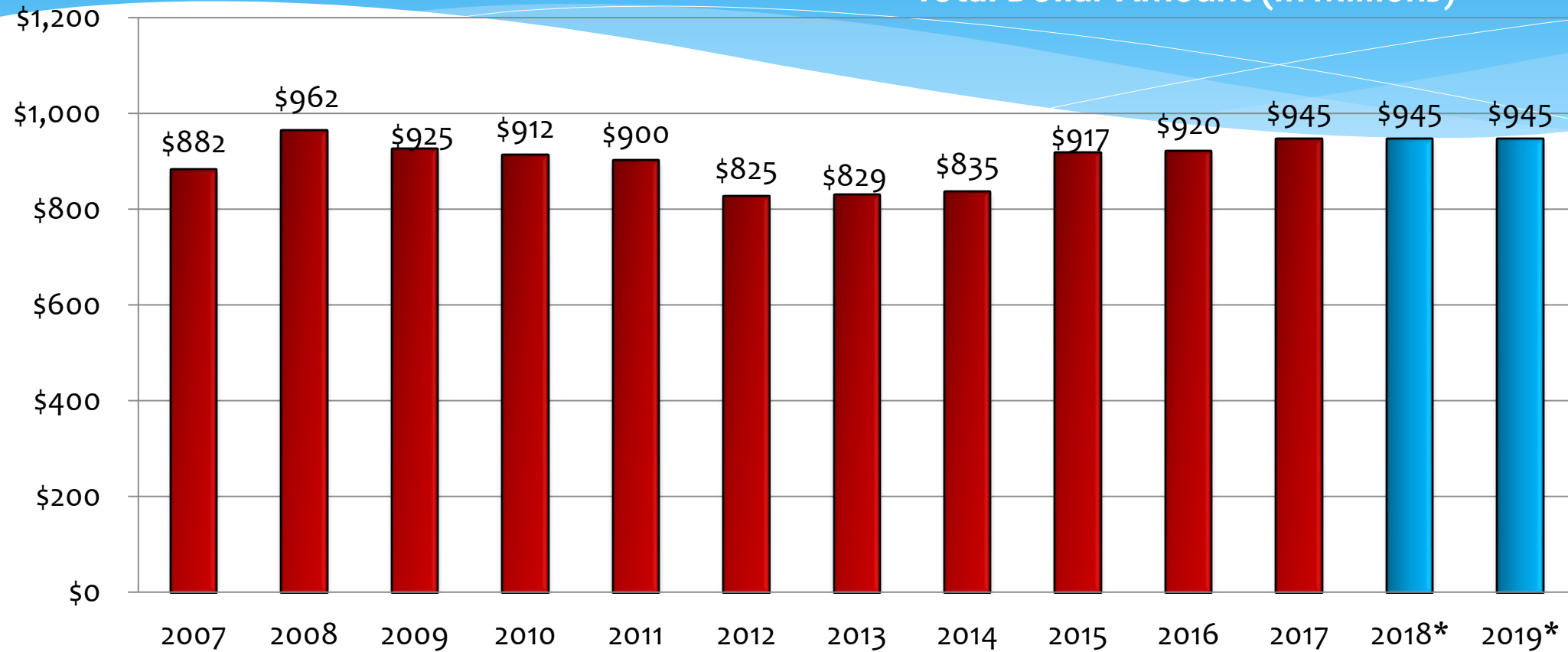


* Requested Rate for FY19 is \$800.

Total PEEHIP Employer Costs 2007 - 2019

(Excludes Universities)

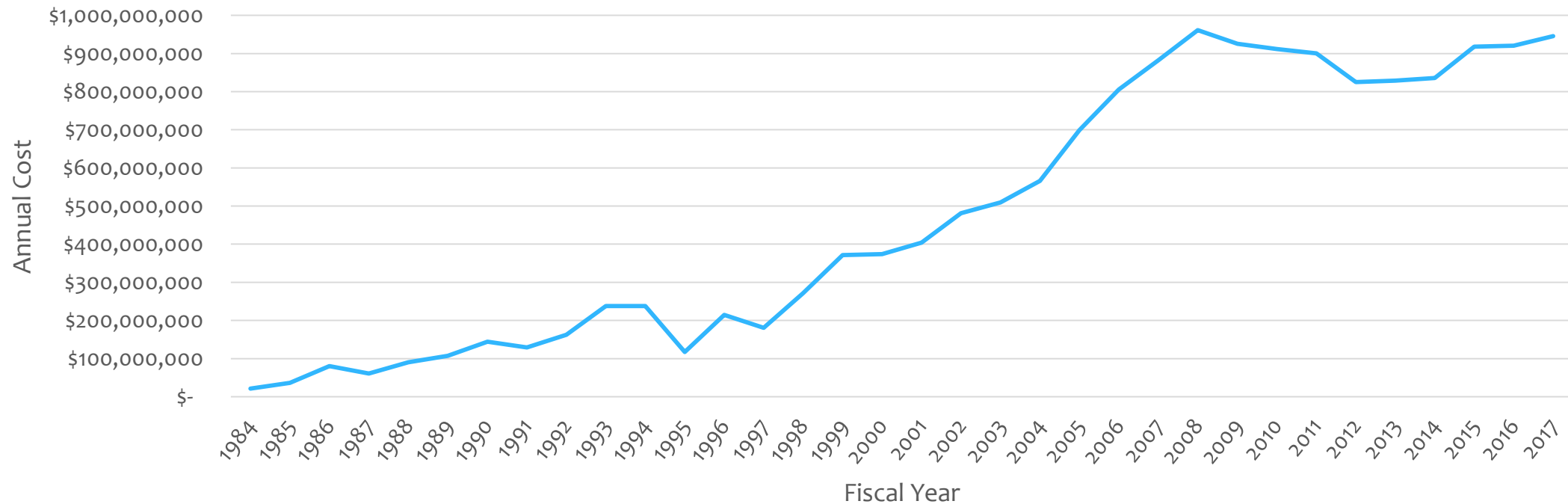
Total Dollar Amount (In Millions)



* Based upon \$800 per active rate for FY18 and FY19.

Total Annual PEEHIP Employer Cost Since Inception (1984 - 2017)

(Excludes Non-Participating Universities for Actives)



(Active Only, excludes spousal surcharge)

[illegible]

Employee Monthly Premium Since Inception

Conclusions

- ◆ Individual coverage premium remained unchanged at \$2 per month from 10/1/1986 – 9/30/2010 (24 years)
- ◆ Except for the first 3 transitional years of PEEHIP's existence (1984 – 1986), Individual coverage premium has been steady:
 - ◆ FY 1987 – FY 2010: \$2/mo – 24 years
 - ◆ FY 2011 – FY 2016: \$15/mo – 6 years
 - ◆ FY 2017 – present: \$30/mo – 2 years
- ◆ Except for the first 3 transitional years of PEEHIP's existence (1984 – 1986), Dependent coverage component has the following history:
 - ◆ FY 1987 – FY 1989: \$93/mo – 3 years
 - ◆ FY 1990 – FY 2000: \$122/mo – 11 years
 - ◆ FY 2001 – FY 2010: \$132/mo – 10 years
 - ◆ FY 2011 – FY 2012: \$162/mo – 2 years
 - ◆ FY 2013 – present: \$177/mo – 6 years

PEEHIP Historical Employer and Employee Contributions

| Fiscal Year | Employer Contribution | | | Employee Contribution | | | | | |
|-------------|-------------------------------|---------------------------|-----------------|-----------------------|--------------------|-----------------|-------------------|------------------|----------------------|
| | Direct Appropriation from ETF | Active Employee Per Month | Annual Total | Individual Coverage | Dependent Coverage | Family Coverage | Spousal Surcharge | Wellness Premium | Tobacco User Premium |
| 1984** | \$ 21,444,990 | | | \$ 17.00 | \$ 75.00 | \$ 92.00 | | | |
| 1985** | \$ 36,500,000 | | | \$ 30.75 | \$ 106.50 | \$ 137.25 | | | |
| 1986** | \$ 80,460,828 | | | \$ 10.00 | \$ 110.00 | \$ 120.00 | | | |
| 1987 | \$ 60,986,400 | | | \$ 2.00 | \$ 93.00 | \$ 95.00 | | | |
| 1988 | \$ 90,237,368 | | | \$ 2.00 | \$ 93.00 | \$ 95.00 | | | |
| 1989 | \$ 107,573,360 | | | \$ 2.00 | \$ 93.00 | \$ 95.00 | | | |
| 1990 | \$ 144,323,360 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1991 | \$ 129,405,360 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1992 | \$ 162,763,300 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1993 | \$ 237,911,040 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1994 | \$ 237,911,040 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1995 | \$ 117,500,000 | | | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1996 | | \$ 210.50 | \$ 214,606,434 | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1997 | | \$ 165.00 | \$ 180,450,600 | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1998 | | \$ 200.00 | \$ 271,768,000 | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 1999 | | \$ 225.00 | \$ 371,273,000 | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 2000 | | \$ 317.00 | \$ 373,727,784 | \$ 2.00 | \$ 122.00 | \$ 124.00 | | | |
| 2001 | | \$ 345.00 | \$ 404,200,620 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | |
| 2002 | | \$ 414.00 | \$ 481,170,672 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | |
| 2003 | | \$ 433.00 | \$ 509,244,372 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | |
| 2004 | | \$ 497.00 | \$ 566,126,268 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | |
| 2005 | | \$ 583.00 | \$ 698,704,512 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | |
| 2006 | | \$ 668.00 | \$ 805,407,600 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | \$ 20.00 |
| 2007 | | \$ 717.00 | \$ 881,918,604 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | \$ 20.00 |
| 2008 | | \$ 775.00 | \$ 961,452,126 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | \$ 22.00 |
| 2009 | | \$ 752.00 | \$ 925,317,517 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | \$ 23.00 |
| 2010 | | \$ 752.00 | \$ 911,875,393 | \$ 2.00 | \$ 132.00 | \$ 134.00 | | | \$ 25.00 |
| 2011 | | \$ 752.00 | \$ 900,050,546 | \$ 15.00 | \$ 162.00 | \$ 177.00 | | | \$ 27.00 |
| 2012 | | \$ 714.00 | \$ 825,157,866 | \$ 15.00 | \$ 162.00 | \$ 177.00 | | | \$ 28.00 |
| 2013 | | \$ 714.00 | \$ 828,585,518 | \$ 15.00 | \$ 162.00 | \$ 177.00 | | | \$ 28.00 |
| 2014 | | \$ 714.00 | \$ 835,761,336 | \$ 15.00 | \$ 162.00 | \$ 177.00 | | | \$ 28.00 |
| 2015 | | \$ 780.00 | \$ 917,610,890 | \$ 15.00 | \$ 162.00 | \$ 177.00 | | | \$ 28.00 |
| 2016 | | \$ 780.00 | \$ 920,206,786 | \$ 15.00 | \$ 162.00 | \$ 177.00 | \$ 25.00 | \$ 50.00 | \$ 50.00 |
| 2017 | | \$ 800.00 | \$ 945,333,828 | \$ 30.00 | \$ 177.00 | \$ 207.00 | \$ 100.00 | \$ 50.00 | \$ 50.00 |
| 2018 | | \$ 800.00 | \$ 945,333,828* | \$ 30.00 | \$ 177.00 | \$ 207.00 | \$ 100.00 | \$ 50.00 | \$ 50.00 |
| 2019 | | \$ 800.00 | \$ 945,333,828* | \$ 30.00 | \$ 177.00 | \$ 207.00 | \$ 100.00 | \$ 50.00 | \$ 50.00 |

*FY 2018 and FY 2019 Employer Contribution Total amount shown is budgeted amount.

Prior to FY 1996, PEEHIP received a direct appropriation from the ETF; therefore, there was no “Employer Cost for Active Employees” for those fiscal years.

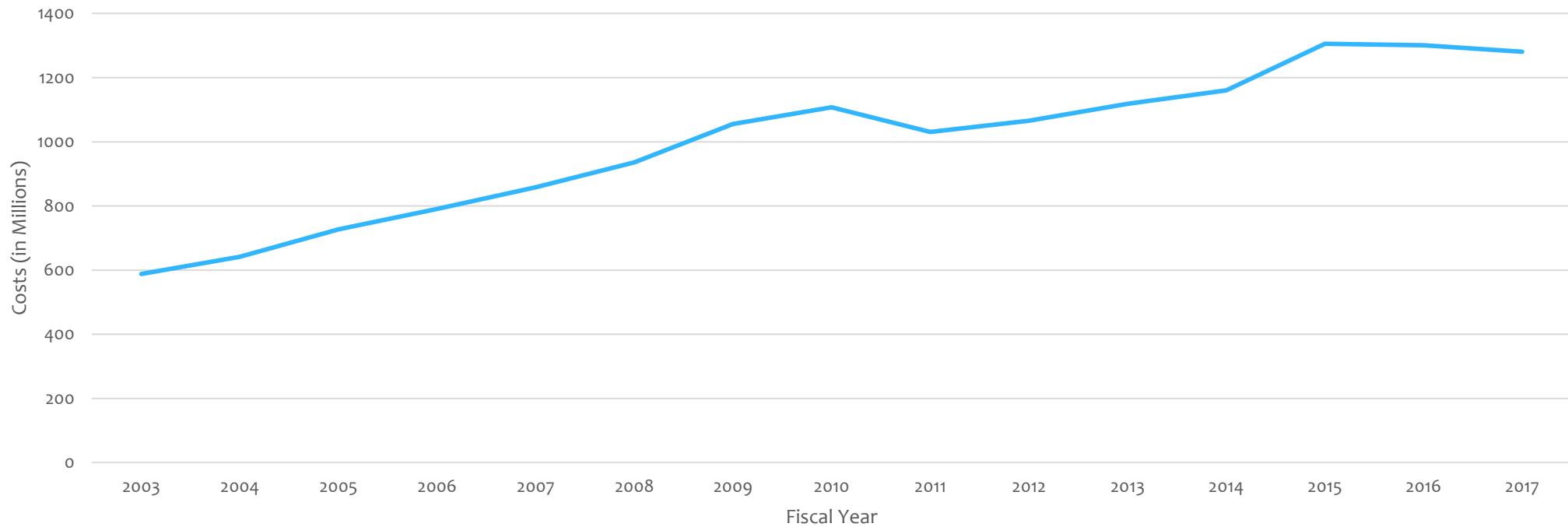
Note that the actual active total employee cost for dependent coverage equals the individual coverage premium plus the dependent coverage premium.

Information above was obtained by Legislative Fiscal Office 2017 Budget Fact Book and PEEHIP Data.

Family Coverage column does not include spousal surcharge, wellness premium or tobacco user premium.

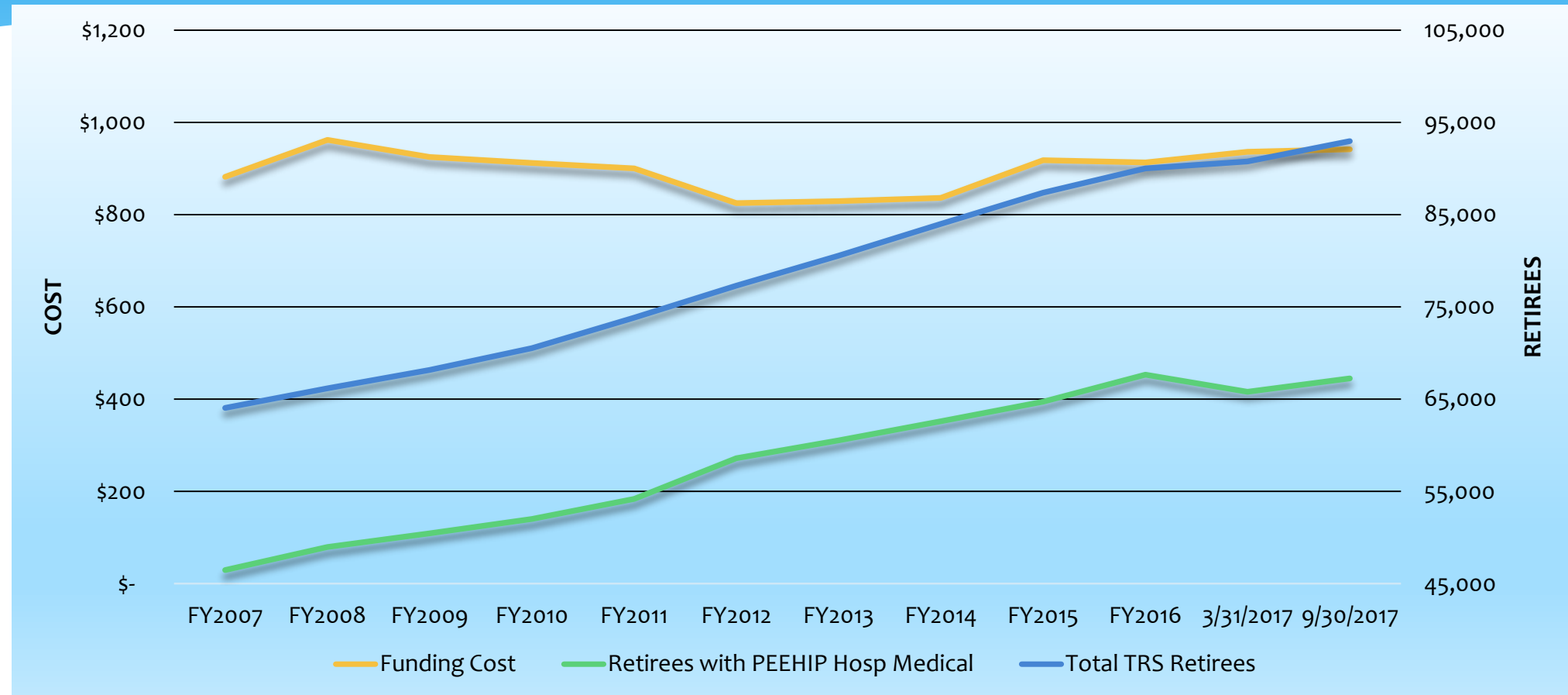
**Transition years from individual groups to unified PEEHIP plan.

Total Medical and Pharmaceutical Costs



Conclusion: The annual growth rate of medical and pharmaceutical costs from 2003 to 2017 is 5.31%.

Active Funding – Increase in Retirees with PEEHIP 2007 - 2017

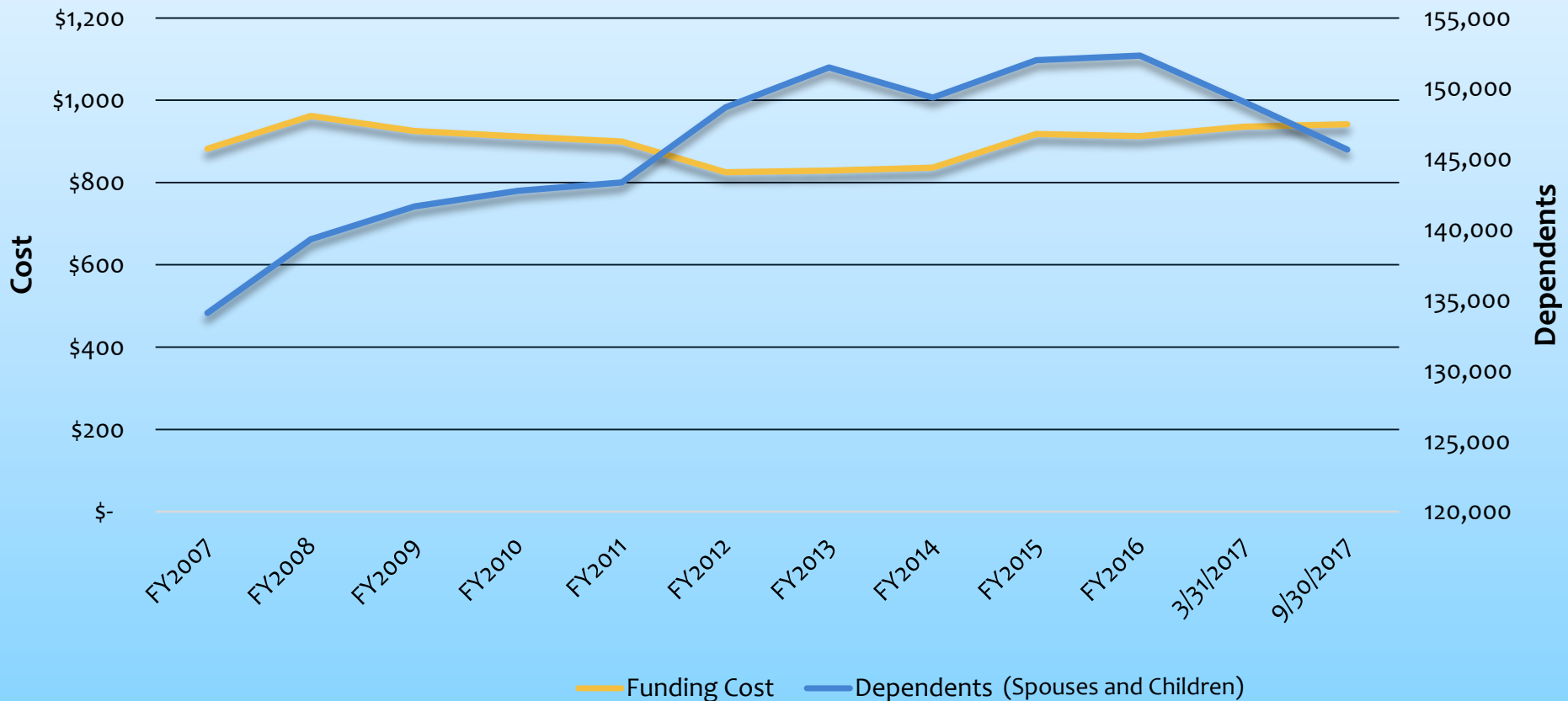


Conclusions:

- 1) The number of retirees eligible for PEEHIP hospital medical coverage is greater than the number of retirees taking the coverage by 25,727.
- 2) PEEHIP's funding from the Legislature has remained relatively flat over the period 2007 – 2017 while the number of retirees covered by PEEHIP's hospital medical coverage has increased by 28,911 or 45%.

Active Funding – Dependents 2007 - 2017

(Excludes VIVA)



Conclusions:

- 1) The number of dependents covered by PEEHIP hospital medical coverage has increased by 12,587 or 8.64% from 2007 – 2017.
- 2) The funding received from the Legislature has remained relatively flat since 2007.

PEEHIP \$800 Per Active Per Month Funding Usage for FY 2017

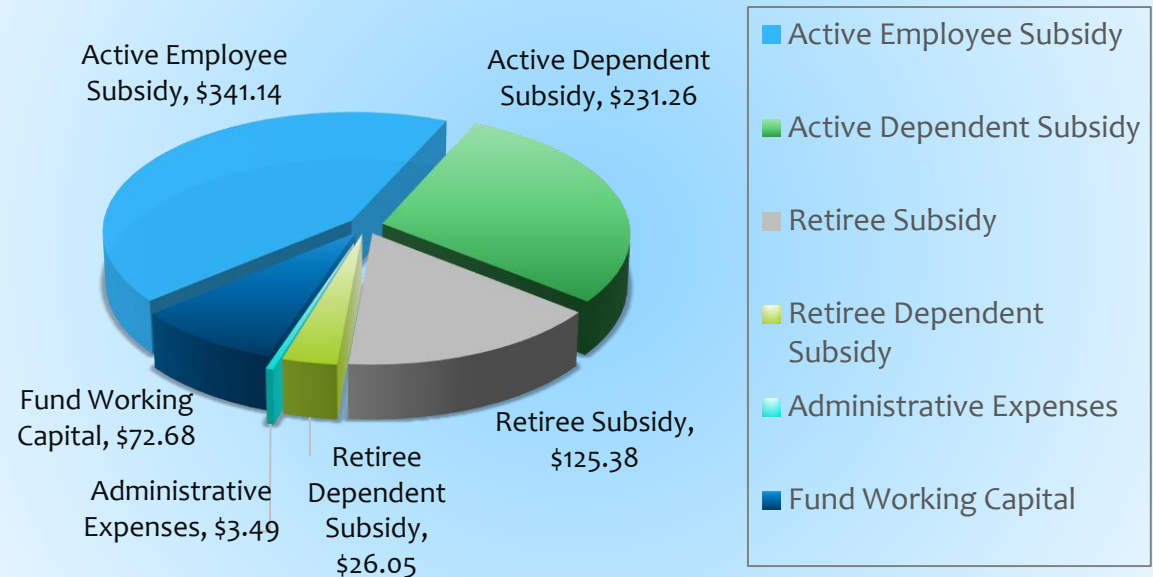
PEEHIP received \$800 per active per month in funding from the Legislature for FY 2017 (\$945.3 million). This amount is used to cover the cost for the following after members have paid their monthly premiums and all other sources of funds are received:

- Active subsidy
- Retiree subsidy (except University Retirees)
- Dependent subsidy (Active & Retiree)
- Administrative expenses

PEEHIP also received funding in FY 2017 from the following sources:

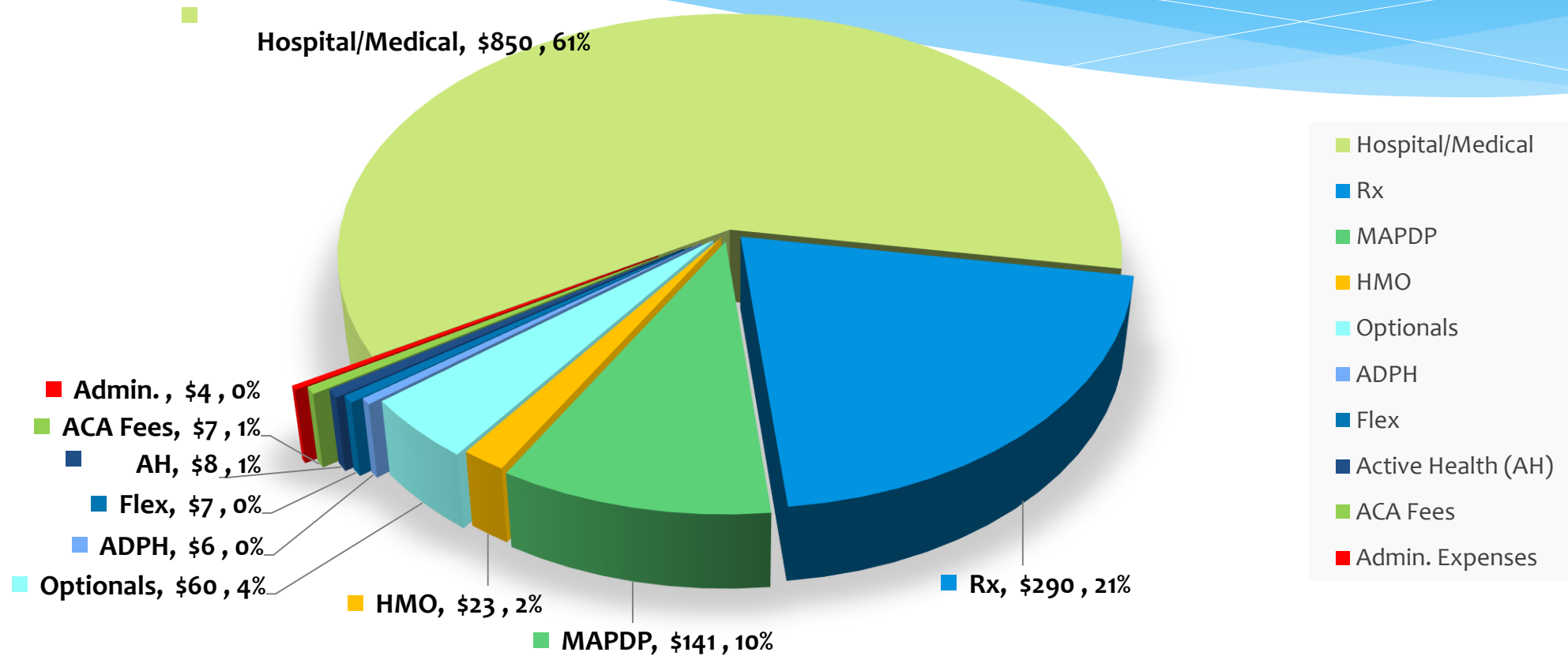
- Universities to cover their retirees when only University retirees are covered by PEEHIP (\$57.9 million)
- Employer Group Waiver Plan funds for Medicare eligible retirees (\$71.6 million)
- Investment Income (\$1.3 million)

Per Active Per Month Usage FY 2017



PEEHIP FY 2017 Program Cost Chart

Amounts in Millions



PEEHIP FY 2017 Program Cost Chart

| | Total (in millions) | % of Total |
|--|---------------------|---------------|
| Hospital/Medical | \$ 850.0 | 60.9% |
| Rx | 290.0 | 20.8 |
| MAPDP | 141.0 | 10.1 |
| Subtotal | \$ 1,281.0 | |
| HMO | 23.0 | 1.6 |
| Optionals | 60.0 | 4.3 |
| Alabama Dept. of Public Health | 6.0 | 0.4 |
| Flex | 7.0 | 0.5 |
| Active Health | 8.0 | 0.6 |
| ACA Fees/Assessment | 7.0 | 0.5 |
| Administrative Expenses | 4.0 | 0.3 |
| Total Program Costs | \$ 1396.0 | 100.0% |
| Less admin. fees paid to claims administrators | (37.0) | |
| Less admin. expenses paid from fund 0551 | (4.0) | |
| Claims paid to providers | \$ 1355.0 | |

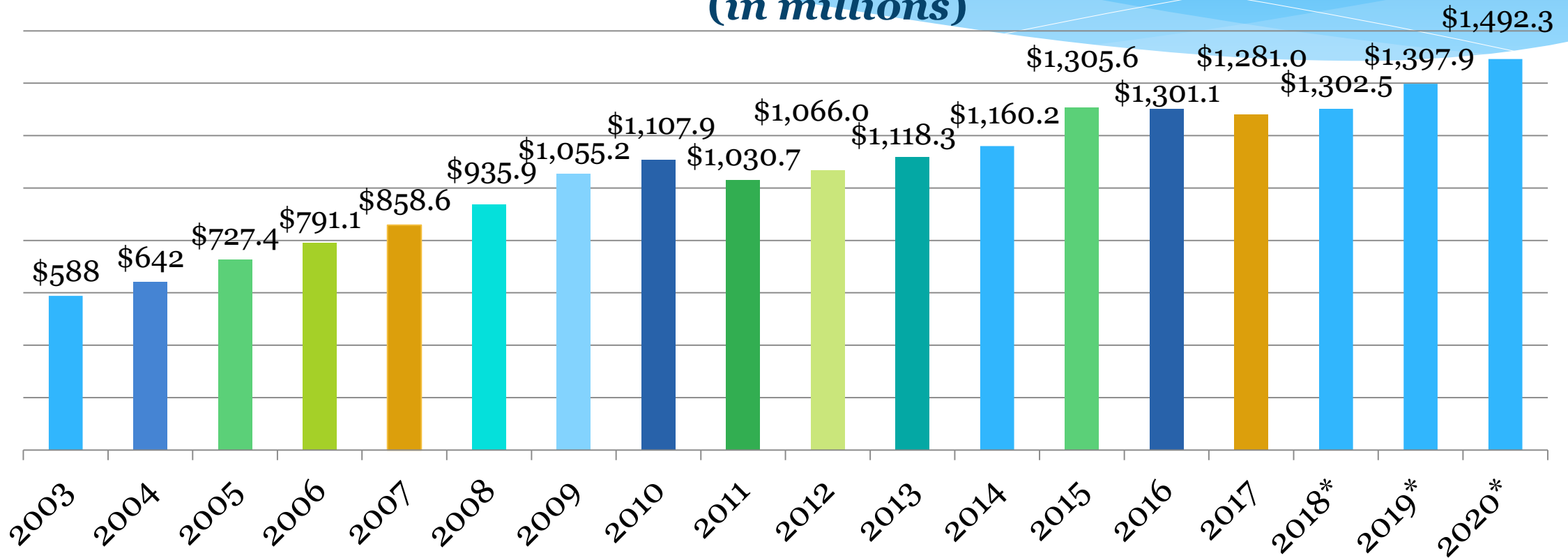
PEEHIP FY 2017 Program Cost Chart

| | Cost (in millions) | % of Total Program Cost |
|--|--------------------|-------------------------|
| Total Program Cost | \$ 1396.0 | 100.0 |
| Admin Fees Paid to Claims Administrators | (37.0) | 3.0 |
| Admin Expenses From Fund 0551 | ____(4.0) | ____0.3 |
| Claims Paid to Providers | \$ 1,355.0 | 96.7% |

Increasing Medical and Pharmaceutical Costs

2003 - 2020

Total Medical & Pharmaceutical Costs (in millions)



*Amounts for 2018, 2019 and 2020 are estimated per Segal Consulting per projections using actual claims through 9/30/2017. Includes costs of BCBS, MedImpact and United Healthcare. Annual Growth rate = 5.31% since 2003.

What has happened in 2017?

- ◆ Trend has been much better (lower) than expected. Hospital/Medical and Rx trend on a rolling 12-month basis as of September 30, 2017 are:
 - ◆ Hospital/Medical-- (2.01%)
 - ◆ Rx-- (9.87%)
 - ◆ Composite Hospital/Medical Trend-- (4.87%)
 - ◆ Negative trends are uncommon of in today's environment
- ◆ From September 30, 2016 to October 1, 2017, 2,980 spouses enrolled in other healthcare coverage available to them. Since PEEHIP instituted a spousal surcharge (October 1, 2015), PEEHIP has seen a reduction of 3,367 spouses with hospital/medical/Rx coverage.
- ◆ Implemented Medicare Advantage plan for Medicare primary members and dependents effective January 1, 2017.

What has happened in 2017?

- ◆ PEEHIP continued to manage Rx costs with the following activities.
 - ✦ Strengthening current prior authorizations
 - ✦ Adding needed prior authorizations for current and new medications
 - ✦ Adding drugs to the variable copay program
 - ✦ Excluding new drugs as necessary
- ◆ PEEHIP continued to focus on the Wellness Program to allow members to better control chronic illnesses.
- ◆ PEEHIP is developing a pre-diabetes wellness program to launch in FY2018 as well as several other new programs designed to benefit members while lowering costs.

What has happened in 2017?

- ◆ Projections for 2017 were prepared at September 30, 2016 and again at March 31, 2017. Due to the significant positive changes occurring in the PEEHIP program between these two dates, the actual hospital/medical and Rx claims as of September 30, 2017 showed significant improvement over the original projections in the following areas:

| Projection Update | Amounts in millions |
|-------------------------------------|-------------------------|
| FY2017 Projection at 9/30/2016 | \$1,362.0 |
| Gain due to reduction in enrollment | (24.8) |
| Gain due to claims trend reduction | (8.2) |
| Gain due to MAPDP projection | (27.0) |
| FY2017 Actual at 9/30/2017 | <u>\$1,302.0</u> |

*Segal Consulting projects claims for BCBS, MI, UHC, Wellness Program and ACA Assessment which is 93% of all PEEHIP expenditures.

What are the opportunities related to the projections?

- ◆ PEEHIP is working closely with vendors related to managing costs.
- ◆ PEEHIP has challenged BCBS to reduce net payments per member per month to \$273.57 by 10/1/2018 and \$269.87 by 10/1/2019. As of 7/31/2017, net payments per member per month were \$282.63. That equates to a \$24.5 million reduction by 10/1/2018 and an additional \$10 million by 10/1/2019.
- ◆ PEEHIP has challenged MedImpact to provide opportunities to manage drug spending to \$88 per member per month (before Rebates).

What are the threats to the projections?

- ◆ Rx claim trends are projected to be 9% for FY2018 and FY2019. There are many very expensive specialty drugs in the pipeline set to be introduced in the next two-three years. The impact of these drugs could push the projected claims trend over 9%.
- ◆ Rx claim trends could be impacted by new indications for current specialty drugs.
- ◆ Repeal and/or replacement of the Affordable Care Act could pose a significant change to these projections
- ◆ The current projections include a \$36 PMPM health insurer fee beginning in CY2018 based upon current law. This fee, which applies to Medicare eligible contracts, has been delayed in previous years.
- ◆ Medical claim trend is projected at 3.1% for FY 2018 and 2.5% for FY 2019. Should the projected medical claim trend be higher than these percentages, the actual costs would be higher than projected.

PEEHIP Breakdown of Covered Lives on Hospital Medical Plan

| | | | | September 30, 2015 | | | | September 30, 2016 | | | | December 31, 2016 | | | | March 31, 2017 | | | | October 1, 2017 | | | |
|---|--|--|--|----------------------|---|------------------------|---------|----------------------|-----------------------------------|------------------------|---------|----------------------|-----------------------------------|------------------------|---------|----------------------|-----------------------------------|------------------------|---------|----------------------|-----------------------------------|------------------------|---------|
| | | | | Actives and Retirees | Spouses Not Otherwise Eligible for PEEHIP | Non-Spousal Dependents | Total | Actives and Retirees | Not Otherwise Eligible for PEEHIP | Non-Spousal Dependents | Total | Actives and Retirees | Not Otherwise Eligible for PEEHIP | Non-Spousal Dependents | Total | Actives and Retirees | Not Otherwise Eligible for PEEHIP | Non-Spousal Dependents | Total | Actives and Retirees | Not Otherwise Eligible for PEEHIP | Non-Spousal Dependents | Total |
| Total | | | | 150,380 | 69,817 | 84,906 | 305,103 | 151,478 | 69,617 | 85,360 | 306,455 | 152,010 | 68,015 | 84,746 | 304,771 | 150,819 | 67,009 | 84,651 | 302,479 | 151,525 | 66,660 | 84,341 | 302,526 |
| Spouses eligible for PEEHIP | | | | 5,114 | (5,114) | | - | 5,301 | (5,301) | | - | 5,225 | (5,225) | | - | 5,226 | (5,226) | | - | 5,324 | (5,324) | | - |
| Covered lives | | | | 155,494 | 64,703 | 84,906 | 305,103 | 156,779 | 64,316 | 85,360 | 306,455 | 157,235 | 62,790 | 84,746 | 304,771 | 156,045 | 61,783 | 84,651 | 302,479 | 156,849 | 61,336 | 84,341 | 302,526 |
| BC | | | | 153,029 | 63,789 | 83,037 | 299,855 | 154,427 | 63,471 | 83,619 | 301,517 | 154,899 | 61,995 | 83,057 | 299,951 | 153,696 | 60,997 | 82,979 | 297,672 | 100,135 | 43,959 | 82,475 | 226,569 |
| VIVA | | | | 2,465 | 914 | 1,869 | 5,248 | 2,352 | 845 | 1,741 | 4,938 | 2,336 | 795 | 1,689 | 4,820 | 2,349 | 786 | 1,672 | 4,807 | 2,375 | 739 | 1,611 | 4,725 |
| UHC | | | | | | | | | | | | | | | | | | | | 54,339 | 16,638 | 255 | 71,232 |
| Total | | | | 155,494 | 64,703 | 84,906 | 305,103 | 156,779 | 64,316 | 85,360 | 306,455 | 157,235 | 62,790 | 84,746 | 304,771 | 156,045 | 61,783 | 84,651 | 302,479 | 156,849 | 61,336 | 84,341 | 302,526 |
| This is a snapshot as of October 20, 2017 | | | | | | | | | | | | | | | | | | | | | | | |

Since spousal surcharge implemented, reduction in spouses = 3,367
Reduction in spouses primarily contributed to a \$24 million reduction in costs.

Average Cost Per Covered Life – PEEHIP 8/1/2016 – 7/31/2017

| | Member | Spouse | Non-Spousal Dependent |
|--------------------------------|----------|----------|-----------------------|
| Active | \$ 4,300 | \$ 5,423 | \$ 1,908 |
| Non-Medicare Eligible Retirees | \$ 7,017 | \$ 8,160 | \$ 2,414 |

Note: Spouses otherwise eligible for PEEHIP are included with members

Census (BCBS) on plan at 7/31/2017-

Included claims incurred 8/1/2016 – 7/31/2017 with run out through 9/30/2017.

Conclusion: Based upon analysis of PEEHIP claims, spouses are over 2 times more costly than the non-spouse dependents (children).

Premiums in 2019 Budget

Amounts in millions

| Revenue From Member Premiums | | Projected Hospital Medical Claims | % Covered by Member |
|--|-----------------|-----------------------------------|---------------------|
| Current Coverage | \$ 310.1 | | |
| Retirees - New | 5.4 | | |
| Total Hospital Medical | \$ 315.5 | | |
| Premium Discount | (5.1) | | |
| Tobacco Surcharge | 12.6 | | |
| Wellness | 6.4 | | |
| Subtotal Hospital Medical | \$ 329.4 | \$ 1,395.7 | 23.6% |
| Optionals | 68.7 | | |
| Flex | 7.0 | | |
| Total Member Premiums (Estimated in FY 2019 Budget) | \$ 405.1 | | |

PEEHIP Funding Projection (FY 2019 Budget Request)

Assumptions:

- No funds restricted
- Current premium structure remains

| | 2017 | 2018 | 2019 | 2020 |
|---|-----------|-----------|------------|------------|
| Unrestricted funds expected @ year end (<i>in millions</i>) | \$ 193.9 | \$ 232.4 | \$ 123.0 | \$ (87.9) |
| Working capital requirement (<i>in millions</i>) | \$ 109.1 | \$ 112.3 | \$ 121.0 | \$ 129.3 |
| Amount over (under) working capital required (<i>in millions</i>) | \$ 84.8 | \$ 120.1 | \$ 2.0 | \$ (217.2) |
| \$ Required increase to per active/mo amount | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 186.00 |
| \$ Projected per active per month | \$ 800.00 | \$ 800.00 | \$ 800.00* | \$ 986.00 |

*If premiums are required to be rolled back to pre-2017 approved levels, then the 2019 projected per active per month amount would increase to approximately \$952 (earlier projections were \$956). Updated based upon Segal projections through 9/30/2017, received 11/6/2017.

Conclusion: If premium increases remain and no refunds are issued, an additional \$186 per active per month (or \$217.2 million) will be required in FY2020 to maintain an 8% reserve.

Alternative Funding Scenario # 1

Assumptions:

1. \$67.7 million in restricted funds @ 9/30/2017
2. \$56.1 million in additional funds restricted in FY2018 so that a total of \$123.8 million is restricted at 9/30/2018
3. No further restriction after 9/30/2018
4. FY 17 and FY 18 premium increases totaling approx. \$123.8 million are refunded.
5. Current premium structure in effect for FY2019 and after

| | 2017 | 2018 | 2019 | 2020 |
|--|-----------|-----------|-------------|-------------|
| Total funds expected @ year end (in millions) | \$ 193.90 | \$ 164.70 | \$ (0.80) | \$ (211.70) |
| Less 2017 premium increases | (67.70) | (56.10) | | |
| Net Funds without Premium Inc | 126.20 | 108.60 | (0.80) | (211.70) |
| Working Capital Requirement | 109.10 | 112.30 | 121.00 | 129.30 |
| Amount over (under) working capital required (in millions) | \$ 17.10 | \$ (3.70) | \$ (121.80) | \$ (341.00) |
| \$ Required increase to per active/mo amount | - | 3.00 | 104.00 | 291.00 |
| \$ Projected per active per month | \$ 800.00 | \$ 803.00 | \$ 904.00 | \$ 1,091.00 |

Conclusion: If the premium increases from FY 2017 and FY 2018 are refunded (approx. \$123.8 million), FY 2019 will be short \$121.8 million.

Alternative Funding Scenario # 2

Assumptions:

1. Premium increases approved by Board April 2016 to be effective 10/1/2016 rolled back
2. Total premiums foregone FY2017--2020 = \$236.0 million

| | 2017 | 2018 | 2019 | 2020 |
|--|-----------|-----------|-------------|-------------|
| Total funds expected @ year end (in millions) | \$ 193.90 | \$ 164.70 | \$ (0.80) | \$ (211.70) |
| Less 2017 premium increases | (67.70) | (56.10) | (56.10) | (56.10) |
| Net Funds without Premium Inc | 126.20 | 108.60 | (56.90) | (267.80) |
| Working Capital Requirement | 109.10 | 112.30 | 121.00 | 129.30 |
| Amount over (under) working capital required (in millions) | \$ 17.10 | \$ (3.70) | \$ (177.90) | \$ (397.10) |
| \$ Required increase to per active/mo amount | - | 3.00 | 152.00 | 339.00 |
| \$ Projected per active per month | \$ 800.00 | \$ 803.00 | \$ 952.00* | \$ 1,139.00 |

* Earlier projections were \$956

Note: If the April 2016 premium increase had not been implemented, the 2019 budget request would have been at least \$952, and possibly \$24 million more for spouses who would have stayed on the plan.

Conclusion: If premiums for 2017 – 2020 are rolled back to approved rates prior to 10/1/2016 (any increases collected are also returned), PEEHIP will require additional funding of \$177.9 million in FY 2019 and \$397.1 million in FY 2020.

PEEHIP – OPEB Liability

Amounts in millions

| Actuarial Valuation | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets (AVA) | Unfunded AAL (UAAL) |
|---------------------|-----------------------------------|---------------------------------|---------------------|
| 2009 | \$ 11,916 | \$ 670 | \$ 11,246 |
| 2010 | \$ 11,585 | \$ 750 | \$ 10,835 |
| 2011 | \$ 9,081 | \$ 778 | \$ 8,303 |
| 2012 | \$ 8,957 | \$ 930 | \$ 8,027 |
| 2013 | \$ 8,994 | \$ 1,075 | \$ 7,919 |
| 2014 | \$ 9,523 | \$ 1,208 | \$ 8,315 |
| 2015* | \$7,463 | \$ 1,154 | \$ 6,309 |
| 2016 | \$7,920 | \$1,240 | \$6,680 |

* The 9/30/2015 Valuation reflects the move to MAPD for post-65 benefits and the change in funding method from projected unit credit to entry age normal

Alabama Retired Education Employees' Healthcare Trust Fund

- ◆ The Retiree Trust had a market balance of \$1.322 Billion as of 9/30/17. **The assets of the Trust help to offset PEEHIP's unfunded liability.**
- ◆ The Retiree Trust has been funded by two transfers from PEEHIP in 2007 and 2008 (totaling \$631M), by monies from federal programs between 2007-2014, and by investment income.
- ◆ Monies were transferred from the Trust to PEEHIP in 2015 (\$92M) and 2016 (\$32M) to address funding shortfalls.
- ◆ The legislature has never appropriated money to this Trust.
- ◆ No member money has ever been placed in this Trust.

Retiree Trust - Investment Return

Amounts in millions

| Fiscal Year | Market Value | Return % |
|-------------|--------------|----------|
| 2008 | \$ 598.9 | -11.91 |
| 2009 | \$ 682.7 | 8.01 |
| 2010 | \$ 768.0 | 8.22 |
| 2011 | \$ 802.7 | 1.09 |
| 2012 | \$ 953.3 | 15.26 |
| 2013 | \$ 1,073.6 | 11.34 |
| 2014 | \$ 1,184.9 | 10.21 |
| 2015 | \$ 1,097.5 | 0.19 |
| 2016 | \$ 1,182.9 | 10.79 |
| 2017 | \$1,322.0 | 11.60 |